

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 INT-05

GSA-01 L-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 AF-06 EA-06 SS-15 NSC-05 /076 W

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R 121725Z MAR 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 2282

INFO AMEMBASSY BRASILIA

AMCONSUL SALVADOR UNN

AMCONSUL SAO PAULO UNN

AMCONSUL RECIFE UNN

LIMITED OFFICIAL USE RIO DE JANEIRO 0830

E.O. 11652: ETRD, EMIN, BTRA, BR

SUBJECT: QUARTZ CRYSTAL

REF: (A) RIO 4546 (B) STATE 8537

SUMMARY: REPRESENTATIVES OF SEVERAL FOREIGN QUARTZ MANUFACTURING COMPANIES HAVE VISITED BRAZIL RECENTLY TO NEGOTIATE PARTICIPATION IN DOMESTIC INDUSTRIES TO PRODUCE CULTURED AND FUSED QUARTZ PRODUCTS. ATTEMPTS TO PERSUADE GOB TO MODIFY ITS CURRENT POLICY OF HIGH FLOOR PRICE AND RESTRICTIVE QUOTAS FOR QUARTZ EXPORTS HAVE NOT MET WITH SUCCESS. END SUMMARY.

1. REPRESENTATIVES FROM SEVERAL FOREIGN FIRMS WHICH PURCHASE BRAZILIAN LASCA (QUARTZ CRYSTAL CHIPS) FOR USE AS RAW MATERIAL TO MANUFACTURE QUARTZ PRODUCTS HAVE VISITED BRAZIL RECENTLY. TWO U.S. COMPANIES DETAILED FOR US STATUS OF THEIR DISCUSSIONS WITH GOB OFFICIALS AND PRIVATE BRAZILIAN FIRMS (SEE BELOW). GERMAN (HEAEUS) AND JAPANESE QUARTZ PRODUCING COMPANIES ALSO REPORTEDLY WERE IN BRAZIL RECENTLY TO DISCUSS POSSIBILITY OF ESTABLISHING LOCAL INDUSTRIES.

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2. HARRY DODDS, PRESIDENT OF SAWYER RESEARCH PRODUCTS (WHO WAS

HERE WITH NATE BASS OF PARENT COMPANY BRUSH-WELLMANL, SIGNED A LETTER OF INTENT THREE WEEKS AGO TO SUPPLY EQUIPMENT AND KNOW-HOW FOR XTAL LTDA. TO ESTABLISH A CULTURED QUARTZ PLANT. XTAL (SEE REF A) MAY MAKE A SIMILAR ACCORD SOON WITH ANOTHER U.S. FIRM (VALPEY-FISHER) FOR ESTABLISHMENT OF AN OSCILLATOR FACTORY.

3. SAWYER RESEARCH PRODUCES 60 PERCENT OF WORLD'S CULTURED (E.E. SYNTHETIC OR GROWN) QUARTZ. TWO FACTORS INFLUENCED COMPANY'S DECISION TO AGREE, IN EFFECT, TO ESTABLISH XTAL AS AN ULTIMATE COMPETITOR: (A) XTAL'S WILLINGNESS TO AGREE TO FINANCIAL TERMS WHICH ARE HIGHLY FAVORABLE TO SAWYER RESEARCH (SO FAVORABLE, IN FACT, THAT XTAL IS STILL TALKING TO OTHER GROUPS, INCLUDING MOTOROLA, NATIONAL FORGE, AND ITT, WHO HAVE PROPOSALS FOR ONE-FIFTH THE PRICE SAWYER WANTS); AND (B) EXPECTATION THAT SAWYER RESEARCH WILL RECEIVE SPECIAL TREATMENT IN GOB'S APPLICATION OF FLOOR PRICE AND QUOTAS ON LASCA EXPORTS. SECRETARY OF TECHNOLOGY BAUTISTA VIDAL INDICATED TO DODDS/BASS (AND XTAL) DURING MEETING IN BRASILIA THAT GOB MIGHT GRANT "PREFERENTIAL TREATMENT" TO SAWYER RESEARCH IF SATISFACTORY AGREEMENT WERE REACHED WITH XTAL. APART FROM THAT POSSIBILITY, THEY RECEIVED NO INDICATION FROM VIDAL THAT POLICY ON QUARTZ CRYSTAL EXPORTS WILL BE CHANGED. DODDS INFORMED US THAT, IN ANY EVENT, HIS COMPANY IS DEVELOPING A QUARTZ CRYSTAL DEPOSIT NEAR ITS FACTORY IN OHIO AND THAT, WITHIN A YEAR, IT HOPES TO END ITS DEPENDENCE ON BRAZILIAN LASCA.

4. DR. BALDWIN SAWYER (NO CURRENT CONNECTION WITH SAWYER RESEARCH) OF GRADED QUARTZ INC. HAS BEEN IN BRAZIL FOR ONE MONTH DISCUSSING ESTABLISHMENT OF A DOMESTIC INDUSTRY FOR FUSED QUARTZ PRODUCES WITH WELL-KNOWN BRAZILIAN CONTRACTOR MENDES JR. AND OTHERS, TO WHOM HE WAS REFERRED BY BAUTISTA VIDAL. (SMALL FACTORIES OWNED BY OSRAM IN SAO PAULO AND PHILLIPS IN RECIFE ALREADY MANUFACTURE HIGH-INTENSITY MERCURY VAPOR STREET LAMPS, WITH TUBES MADE USING ONE-STEP FUSION PROCESS.) BALDWIN SAWYER ALSO WOULD LIKE TO ESTABLISH A PLANT IN CONJUNCTION WITH BRAZILIAN INTERESTS TO PRODUCE POWDERED QUARTZ FOR EXPORT, BUT GOB APPARENTLY WILL ACCEPT ONLY PROPOSALS FOR A FULL-SCALE FUSED QUARTZ INDUSTRY.

5. BALDIN SAWYER RECEIVED NO INDICATION FROM VIDAL THAT EXISTING EXPORT POLICY ON LASCA IS LIKELY TO BE MODIFIED. SAWYER BELIEVES THAT CONTINUED IMPLEMENTATION THIS POLICY WILL EVENTUALLY RESULT LIMITED OFFICIAL USE

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IN SIGNIFICANT, AND PROBABLY PERMANENT, LOSS TO BRAZIL OF EXISTING EXPORT MARKETS. EXPLOITATION OF QUINTAS, NORTH CAROLINA, QUARTZITE DEPOSITS BY INTERNATIONAL MINERALS CO. IS PROCEEDING AND SEVERAL AFRICAN COUNTRIES ARE KNOWN TO HAVE SIZEABLE QUARTZ CRYSTAL RESERVES. SAWYER STATED THAT INDUSTRIAL PROCESS DEVELOPED BY GENERAL ELECTRIC FOR FUSED QUARTZ USING QUINTAS QUARTZITE COMPARES VERY FAVORABLY, IN BOTH PRICE AND QUALITY, TO PROCESSES USING BRAZILIAN LASCA.

6. SEVERAL ARTICLES ON QUARTZ, MOSTLY INSPIRED BY XTAL, HAVE APPEARED RECENTLY IN BRAZILIAN PUBLICATIONS. GENERAL THEME IS THAT GOB HAS AT LONG LAST REALIZED IMPORTANCE OF ITS QUARTZ CRYSTAL AS A VITAL RAW MATERIAL. ARTICLES MAINTAIN THAT BRAZIL, WHICH HAS PRACTICALLY BEEN GIVING AWAY LASCA TO INDUSTRIALIZED COUNTRIES SHOULD ESTABLISH ITS OWN QUARTZ INDUSTRIES.

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